



Jay Bennett
Director-
Federal Regulatory

SBC Communications Inc.
1401 I Street, N.W.
Suite 1100
Washington, D.C. 20005
Phone 202 326-8889
Fax 202 408-4805

EX PARTE OR LATE FILED

December 18, 1998

RECEIVED
DEC 18 1998
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Memorandum of Ex Parte Communication

Ms. Magalie Salas
Secretary
Federal Communications Commission
445 12th Street, S. W.
Street Lobby – TW A235
Washington, D.C. 20554

Dear Ms. Salas:

Re: *CC Docket No. 98-227- Petition of SBC Communications, Inc. for Forbearance from Regulation as a Dominant Carrier for High Capacity Dedicated Transport Services in Fourteen Metropolitan Service Areas*

On Thursday, December 17, 1998, representatives of Quality Strategies and SBC Communications, Inc. (SBC) met with members of the Commission's Competitive Pricing Division. Attending from the Competitive Pricing Division were Mr. Rich Lerner, Ms. Tamara Preiss, Mr. Jay Atkinson, Mr. Joel Taubenblatt, Mr. Steven Spaeth, Mr. Doug Galbi and Mr. Aaron Goldschmidt. Attending from Quality Strategies were Mr. Douglas Young, Mr. Aaron Reid, Mr. David Eddleman and Mr. David Yoon. Attending on behalf of SBC were Mr. David Hostetter and the undersigned.

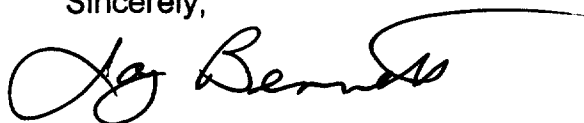
The purpose of the meeting was to review the marketing research performed by Quality Strategies in support of the SBC Companies' Petition for Forbearance filed on December 7, 1998. The attached written materials were distributed and discussed during the meeting.

We are submitting the original and one copy of this Memorandum to the Secretary in accordance with Section 1.1206(b)(2) of the Commission's rules.

No. of Copies rec'd 041
List A B C D E

Please stamp and return the provided copy to confirm your receipt. Please contact me at (202) 326-8889 should you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Jay Bernstein". The signature is fluid and cursive, with a long horizontal stroke extending from the end.

cc: R. Lerner, T. Preiss, J. Atkinson, J. Taubenblatt, S. Spaeth, D. Galbi,
A. Goldschmidt (w/o attachment)

Dedicated Transport Market Analyses Research Results

FCC - Washington, D.C. - December 17, 1998

 **QUALITY STRATEGIES®**
Washington, D.C.

Overview Objectives

- **Background and Introductions**
- **Methodology Review**
- **Key Results and Conclusions**

Background

- **Independent Market Research Firm**
- **Approximately 150+ employees, including analysts, statisticians, consultants, database managers, market research specialists, and report writers**
- **Two Response centers located in Leesburg, VA and Frederick, MD**
- **Headquarters located in Tysons Corner, VA**
- **Organizational structure**
 - **Response - data collection centers**
 - **Population - statistical and methodological group**
 - **Industry - industry and competitor analysis group**
 - **Client Services - account management group**

Introductions

- Assist telecom clients to develop and maintain effective responses to competition and to identify market opportunities through market research metrics and industry analyses
- Ten+ years of providing market metrics and competitor and industry analyses to telecom clients
- Core competency in telecommunications industry, niche expertise
- Practice focuses on “traditional” telecom markets
 - Dedicated transport products, including high-capacity and DS-0 circuits
 - Data products, including frame relay and ATM services
 - IntraLATA and interLATA toll
 - Local exchange
- Also provide analyses of other lines of telecom business
 - Wireless
 - Internet

Research Objectives

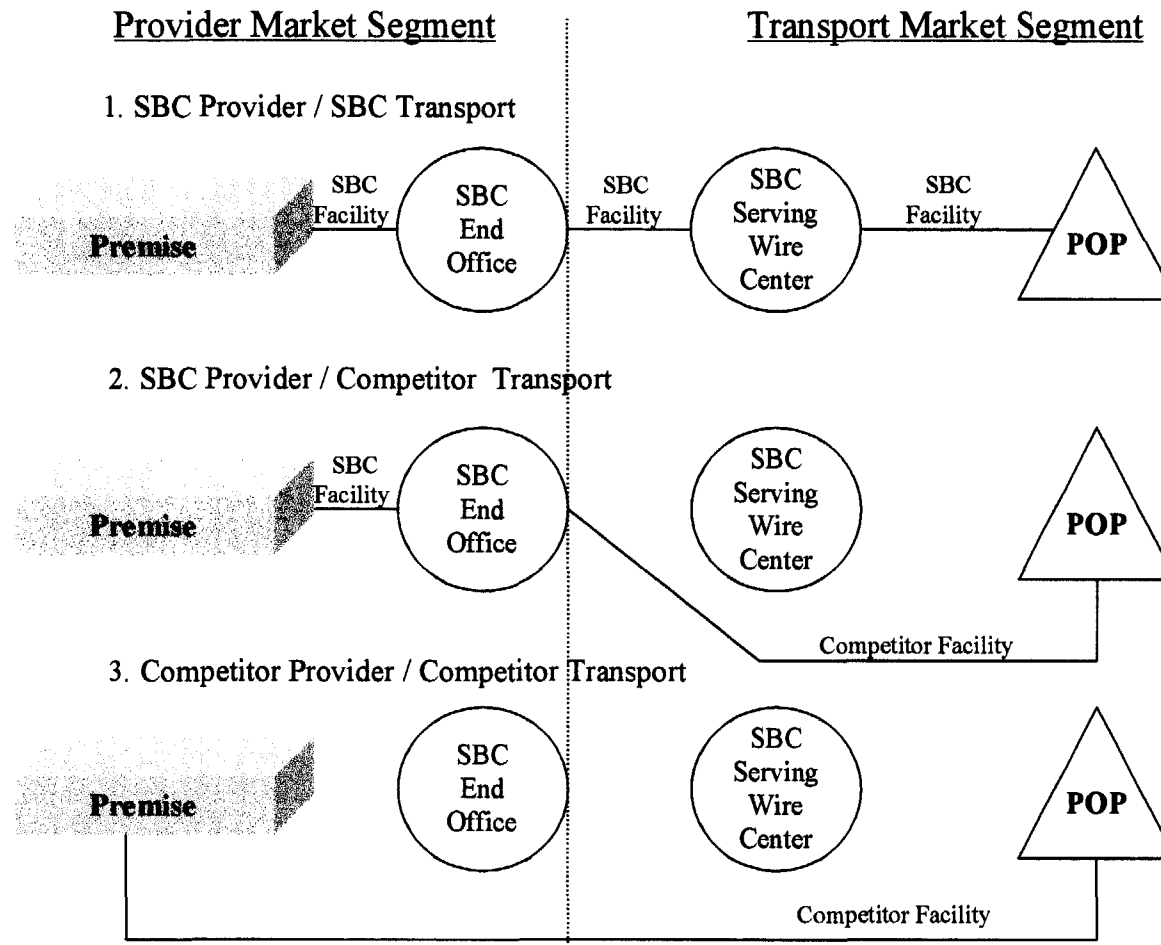
- Describe and monitor client's position in the competitive marketplaces
- Collect data that accurately reflects client's (and competitors') customer bases
- Monitor market segments and services critical to client's continued success
- Deliver accurate, cost-efficient, and practical information in a format consistent with internal client data definitions
- Utilize sampling plan that delivers results that are representative and projectable to the population
- Track changes in market size and market growth
- Enhance client's ability to compete effectively
- Provide regulatory data and support

High Capacity Market Study Overview

- **Objective**
 - Provide SBC with a high-level overview of its High Capacity Market
 - Analyze the state of competition for high capacity telecom services in 20 metropolitan areas
 - Deliver overall market share results to reflect facilities based competition
- **HICAP market metrics**
 - Market share
 - End-user DS-1 equivalent circuits (\geq DS-1 included)
 - Total HICAP market view
- **Market share competitors**
 - Southwestern Bell
 - CAPs/CLECs
 - IXC's
- **End-user market metrics**
 - Geographic area, special access and point-to-point circuits

High Capacity Market Study Overview

Overall High Capacity Market



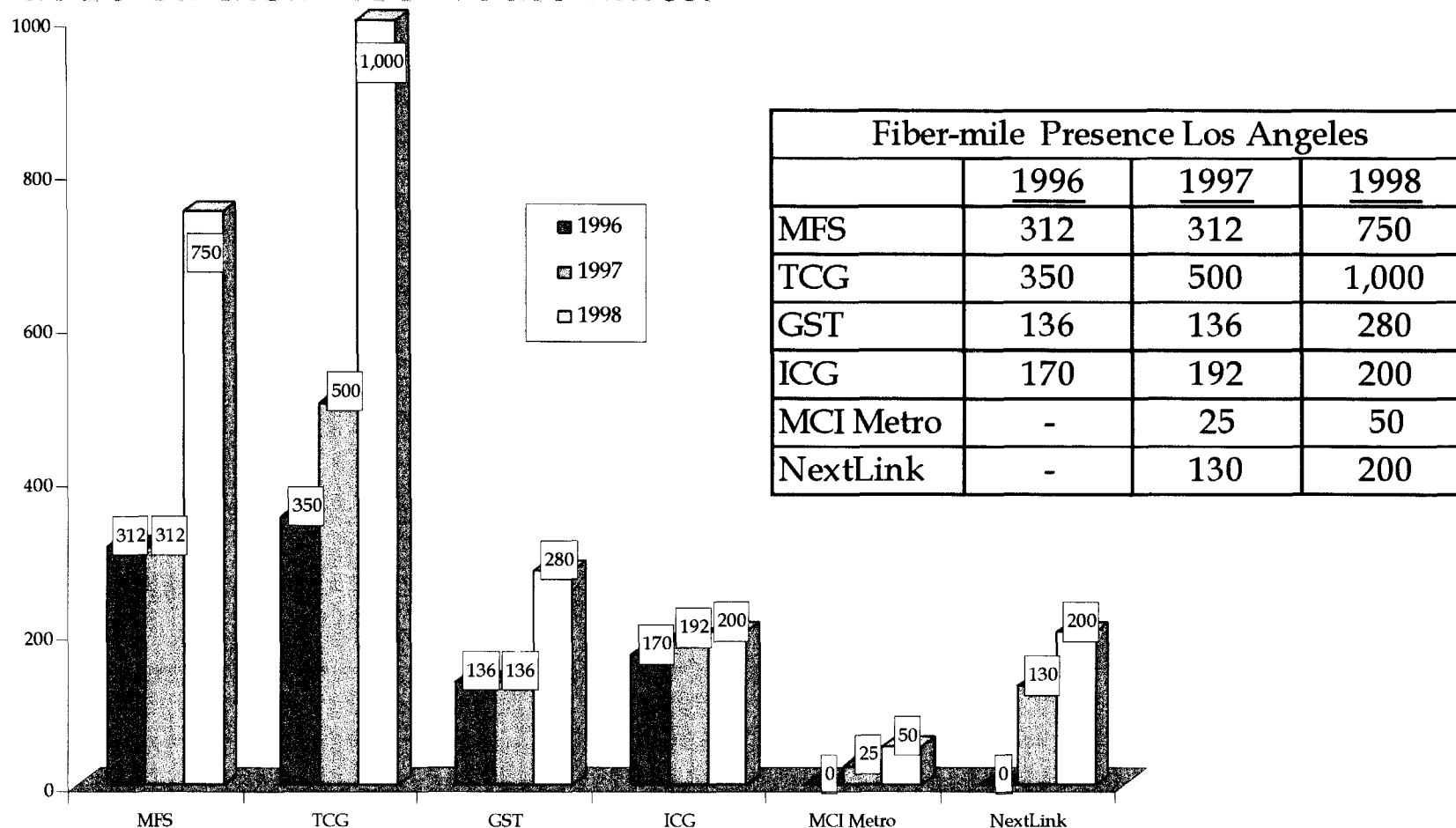
Summary Results

- Since 1994 the number of carriers competing for HICAP services has tripled.
- SBC has seen a downward spiral in market share over the same period of time.

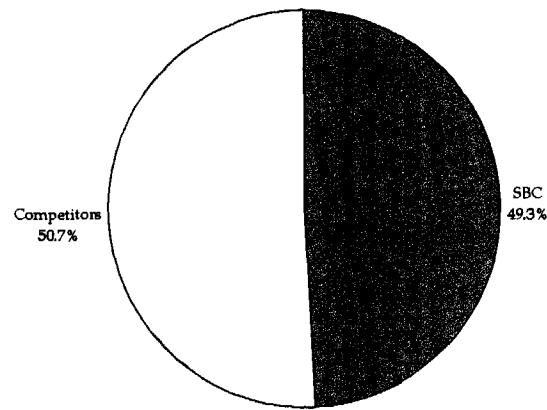
Competitors - Los Angeles				
<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
MFS	MFS	MFS	MFS	WorldCom
TCG	TCG	TCG	TCG	TCG
	NextLink	GST	GST	GST
		ICG	ICG	ICG
		Linkatel	MCI Metro	MCI Metro
		NextLink	NextLink	NextLink

Summary Results - Los Angeles

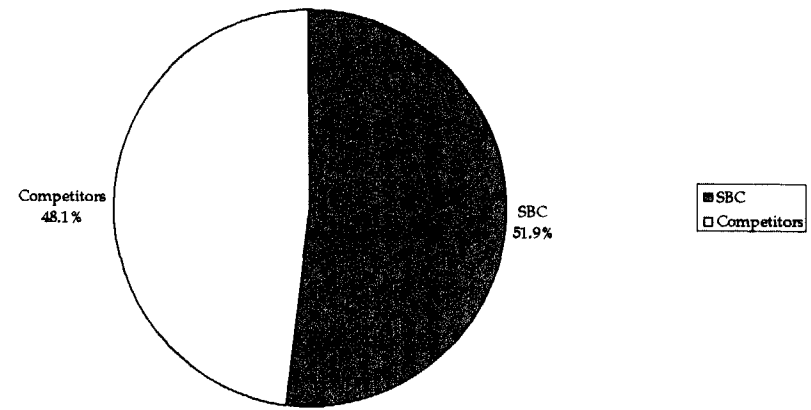
- From 1996 competitors have bolstered their presence by expanding their fiber networks. In particular, MFS and TCG have more than doubled their fiber route miles.



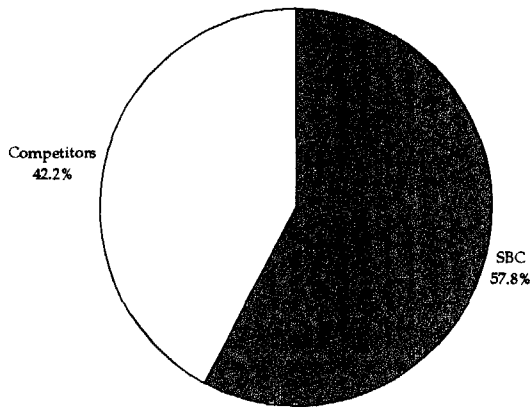
Summary Results- The State of Competition in Texas



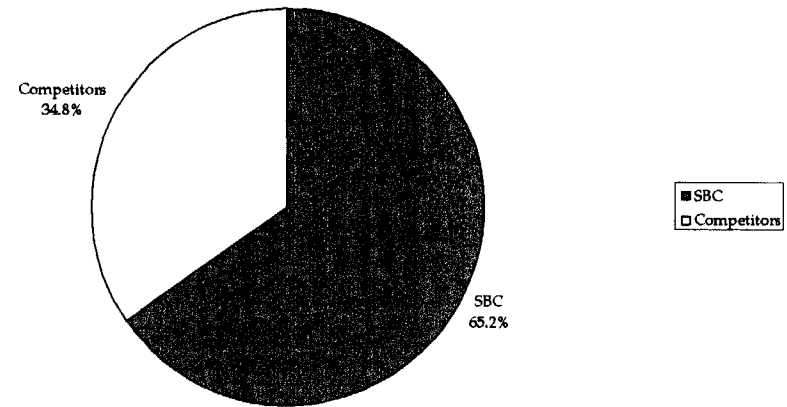
Dallas/Ft. Worth



Houston

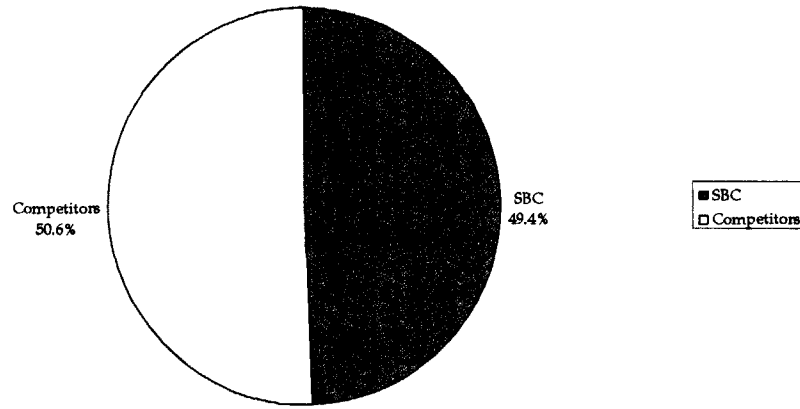


Austin

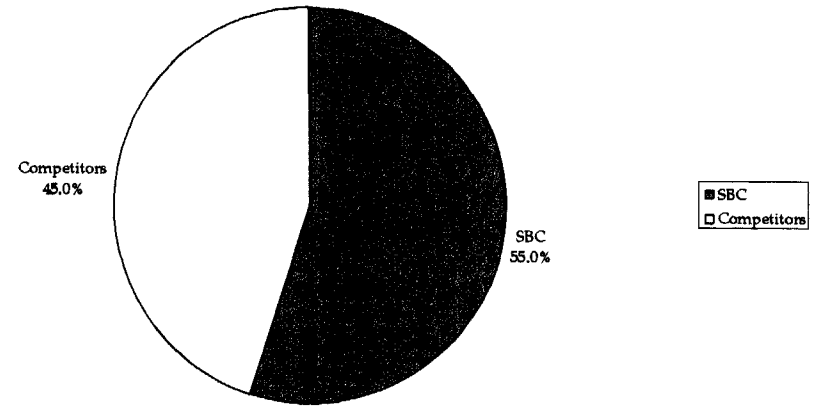


San Antonio

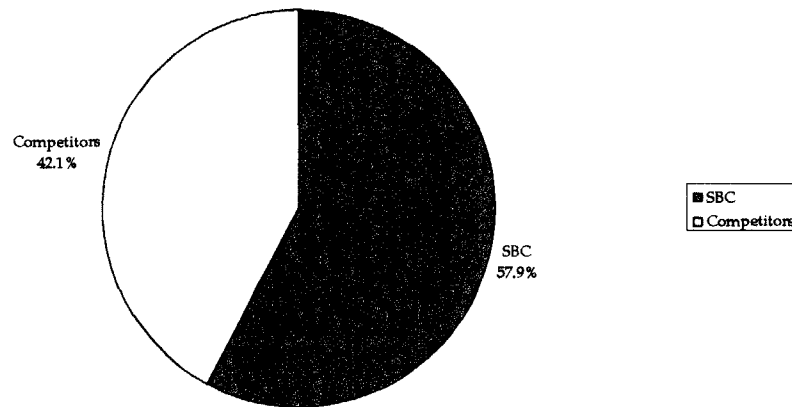
Summary Results- The State of Competition in California



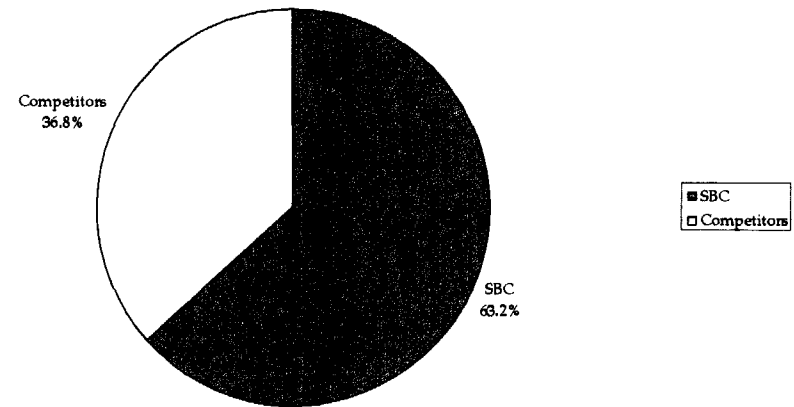
San Francisco



San Diego



LA-Orange-Riverside



Sacramento

Summary Conclusions - National Perspective

- **SBC has experienced significant competition in the major metropolitan areas presented.**
- **QUALITY STRATEGIES has conducted High Capacity market research in all major metropolitan areas in the nation.**
- **National market trend data shows continual aggressive entry and network expansion by CLECs in Tier I, Tier II, and now Tier III cities. CLECs are expanding fiber networks and adding On-net buildings each quarter. These findings indicate additional share erosion from these competitors.**

SBC Collocation Facts

	MSA	Total Number of Central Offices Per MSA	Number of Offices With Physical Collocation	Number of Offices With Virtual Collocation	Number of Physical Collocation Cages	Number of Virtual Collocation Arrangements
Arkansas	Little Rock	24	3	1	8	8
California	Los Angeles Orange County	93	61	0	273	0
	Sacramento	38	9	0	29	0
	San Diego	52	26	0	80	0
	San Francisco	36	15	0	81	0
	San Jose	19	17	0	74	0
Missouri	St. Louis	51	7	2	15	8
Nevada	Reno	22	4	0	4	0
Oklahoma	Oklahoma City	38	9	3	11	5
Texas	Austin	31	6	5	13	14
	Dallas Fort Worth	95	27	10	86	31
	El Paso	13	1	1	1	4
	Houston	63	14	7	39	30
	San Antonio	40	6	0	12	0
	<i>Total</i>	615	205	29	726	100
	<i>SBC Total</i>	1964	270	39	859	121